

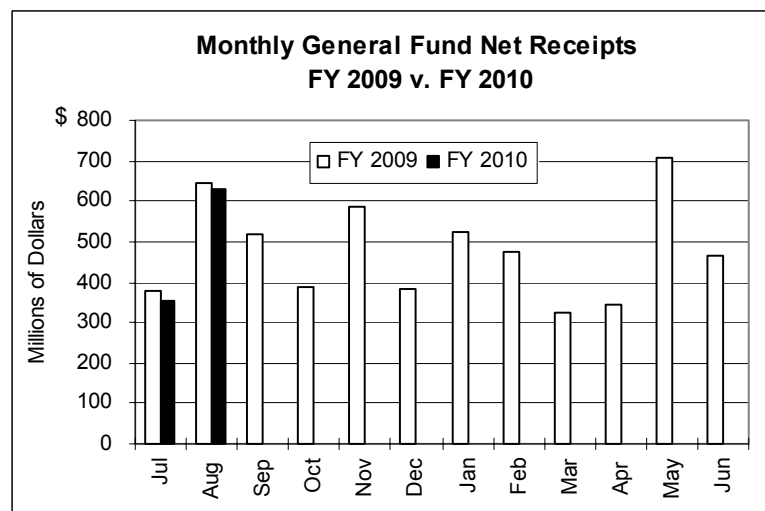
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Shawn Snyder

DATE: September 1, 2009

Monthly General Fund Receipts through August 31, 2009

The attached spreadsheet presents FY 2010 General Fund total net receipts with comparable figures for actual FY 2009. The figures can be compared to the FY 2010 estimate of \$5.700 billion set by the Revenue Estimating Conference (REC) on March 20, 2009. The FY 2010 estimate is a decrease of \$39.0 million (- 0.7%) compared to actual FY 2009 total net receipts (excludes transfers). The next REC meeting is scheduled for October 7, 2009.



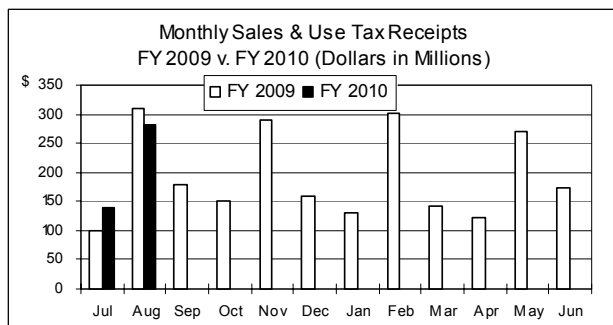
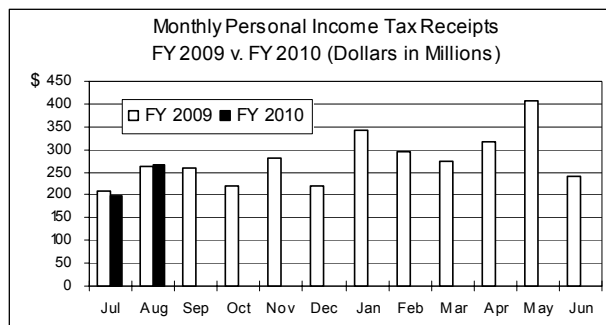
FY 2010 Compared to FY 2009

Year-to-date FY 2010 total net receipts (excluding transfers) decreased \$41.5 million (- 4.1%) compared to FY 2009. Major sources and their contribution to the FY 2010 change include:

- Personal income tax (negative \$11.0 million, - 2.3%)
- Sales/use tax (positive \$12.8 million, 3.1%)
- Corporate tax (negative \$8.8 million, - 21.8%)
- Other taxes (negative \$16.1 million, - 14.1%)
- Other receipts (negative \$6.7 million, - 8.2%)
- Tax refunds not including school infrastructure refunds (positive \$28.1 million)
- School infrastructure sales/use tax refunds (negative \$39.6 million)

Personal Income Tax revenues received in August totaled \$265.8 million, an increase of \$1.8 million (0.7%) compared to August 2008.

The FY 2010 REC income tax estimate of \$3.309 billion represents a projected change of negative 0.7% compared to actual FY 2009. Through August, total income tax receipts decreased 2.3%. By subcategory, withholding payments increased by \$7.9 million (1.9%) year-to-date, estimate payments decreased \$12.1 million (- 32.2%), and payments with returns decreased by \$6.8 million (- 66.8%). The following chart compares FY 2010 monthly income tax receipts from the three personal income tax subcategories with FY 2009.



Sales/Use Tax receipts received in August totaled \$282.4 million, a decrease of \$27.6 million (- 8.9%) compared to August 2008. Quarterly sales/use tax payments deposited in early August and covering transactions for the final quarter of FY 2009 account for a significant portion of the August decrease.

The REC estimate for FY 2010 Sales/Use Tax receipts is \$2.398 billion, an increase of 3.0% compared to actual FY 2009. Through August, total gross sales/use tax receipts have increased 3.1%. The preceding chart compares FY 2010 monthly sales/use tax receipts with FY 2009.

Corporate Tax receipts received in August totaled \$18.3 million, an increase of \$0.8 million (4.6%) compared to August 2008.

The REC estimate for FY 2010 corporate tax revenue is \$376.2 million, a decrease of 9.7% compared to actual FY 2009. Cash fiscal year-to-date total corporate tax revenue has decreased 21.8%.

Other tax receipts received in August totaled \$67.8 million, a decrease of \$10.0 million (- 12.9%) compared to August 2008. Inheritance and insurance premium tax revenue were both down significantly for the month.

The REC estimate for FY 2010 other tax revenue is \$458.9 million, an increase of 0.9% compared to actual FY 2009. Through August, other tax revenue decreased 14.1%.

Other receipts (non-tax receipts) received in August totaled \$41.9 million, an increase of \$0.4 million (1.0%) compared to August 2008. A \$6.3 million transfer of liquor profits occurred in August 2009, while no transfer occurred in August 2008. This revenue boost should reverse in September. Interest, fees, and gambling receipts were down for the month, while judicial and miscellaneous revenue sources increased.

The REC estimate for FY 2010 other receipts revenue is \$372.6 million, a decrease of 4.9% compared to actual FY 2009. Cash fiscal year-to-date total other receipts have decreased 8.2%.

Tax Refunds issued in August totaled \$17.6 million, a decrease of \$17.4 million (- 49.7%) compared to August 2008. In addition, school infrastructure refunds totaled \$29.9 million in August, an increase of \$1.1 million. Regular tax refunds for July and August totaled \$36.9 million, a decrease of

\$28.1 million compared to the previous July and August and the lowest July and August total since 2001. Corporate tax refunds account for much of the decrease. July and August refunds are charged to FY 2009 and August marks the end of the 2009 fiscal year for tax refunds.

Fiscal Year 2009 Status

One more month remains before General Fund net revenue for FY 2009 will be final. Gross cash basis revenue was final June 30 and the fiscal year closed for tax and school infrastructure refunds on August 31. Accrued revenue adjustments and transfers from other funds will continue throughout September. For those items that are final, General Fund revenue is \$133.1 million below the REC estimate. The following table provides the FY 2009 status as of August 31, 2009.

FY 2009 Status - In Millions of Dollars

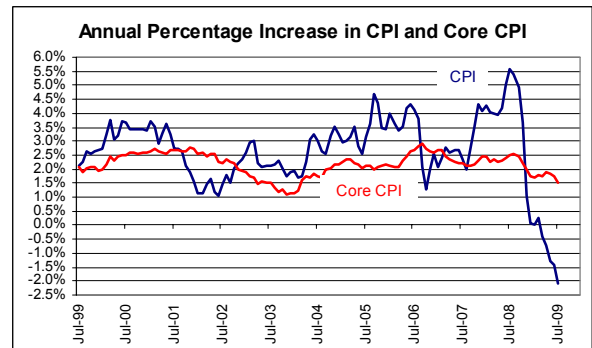
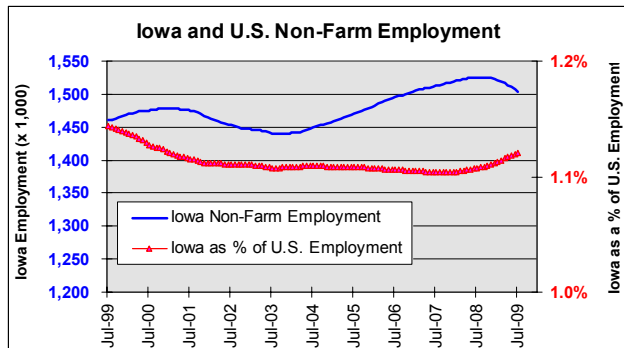
	REC Estimate	Actual	Difference
Gross Revenue, Cash Basis	\$6,979.2	\$6,921.5	-\$57.7
Regular Tax Refunds	-760.0	-804.1	-44.1
School Infrastructure Refunds	-357.5	-388.8	-31.3
Net Revenue	<u>\$5,861.7</u>	<u>\$5,728.6</u>	<u>-\$133.1</u>
Open Items *	131.3		

* Open Items include: accrued revenue adjustments, transfers, and post-REC Legislative adjustments.

Status of the Economy

Iowa non-farm employment was reported at 1,466,900 for the month of July (not seasonally adjusted), 46,800 lower (- 3.1%) than July 2008.

Iowa's 12-month average employment is presented in a graph below. The 12-month average peaked in October 2008 at 1,525,400, 46,100 jobs above the January 2001 pre-recession peak. The current 12-month average reading is now 1,502,900, so annual average Iowa non-farm employment is 21,900 below the October 2008 peak. During the previous recession, the 12-month average declined 38,800 jobs, peak to trough. The employment chart also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of U.S. non-farm employment decreased noticeably from 1999 through 2002. The decline continued at a much slower pace from 2002 through 2007. Iowa's share of U.S. non-farm employment has been expanding since 2008 as the rate of economic decline nationally has exceeded the rate of decline in Iowa.



Consumer prices decreased 0.2% in July (not seasonally adjusted). The Consumer Price Index (CPI-U) through June 2009 was 215.4 (1983/84=100). The annual rate of inflation peaked at 5.6% in July 2008 and decreased rapidly in the following months. The annual rate now stands at negative 2.1%, the fifth consecutive negative annual rate and the lowest rate since October 1949.

Core CPI, an inflation measure excluding food and energy expenditures, was unchanged for the month of July and stands at 1.5%, year-over-year. The core inflation rate declined considerably from the early 1990s through January 2004 when the rate bottomed at 1.1%. The core inflation rate accelerated from that point, with most readings between 2.0% and 3.0%. With the onset of the recent recession, the annual core inflation rate has declined and has now been below 2.0% for eight consecutive months. For the two components excluded from the core rate, energy prices are down 28.1% year-over-year while food prices are up 1.1%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://www.legis.state.ia.us/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2009 vs. FY 2010 July 1 through August 31 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 09 Actual Compared to FY 10 REC Estimate		
	FY 2009	FY 2010	Year to Date % Change	August % Change	Actual FY 2009	Estimate FY 2010	Projected % Change
Personal Income Tax	\$ 473.1	\$ 462.1	-2.3%	0.7%	\$ 3,330.7	\$ 3,309.0	-0.7%
Sales/Use Tax	409.0	421.8	3.1%	-8.9%	2,327.4	2,397.5	3.0%
Corporate Income Tax	40.3	31.5	-21.8%	4.6%	416.5	376.2	-9.7%
Inheritance Tax	14.8	12.1	-18.2%	-32.6%	75.4	78.4	4.0%
Insurance Premium Tax	48.1	40.0	-16.8%	-15.4%	90.0	108.6	20.7%
Cigarette Tax	41.7	38.3	-8.2%	-4.9%	215.8	201.9	-6.4%
Tobacco Tax	4.6	4.5	-2.2%	35.7%	23.0	23.0	0.0%
Beer Tax	2.9	2.9	0.0%	0.0%	14.7	14.8	0.7%
Franchise Tax	2.1	1.8	-14.3%	100.0%	33.7	31.2	-7.4%
Miscellaneous Tax	0.1	-1.4	-1500.0%	100.0%	2.4	1.0	-58.3%
Total Special Taxes	\$ 1,036.7	\$ 1,013.5	-2.2%	-5.2%	\$ 6,529.6	\$ 6,541.6	0.2%
Institutional Payments	2.4	2.8	16.7%	7.7%	15.5	13.7	-11.6%
Liquor Profits	5.0	13.0	160.0%	0.0%	85.5	74.6	-12.7%
Interest	3.0	0.1	-96.7%	-96.0%	14.6	14.1	-3.4%
Fees	15.7	9.4	-40.1%	-40.2%	77.7	75.1	-3.3%
Judicial Revenue	10.0	10.9	9.0%	71.4%	98.8	97.3	-1.5%
Miscellaneous Receipts	10.4	5.5	-47.1%	18.5%	39.8	37.8	-5.0%
Racing and Gaming Receipts	34.9	33.0	-5.4%	-3.5%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 1,117.9	\$ 1,088.0	-2.7%	-4.9%	\$ 6,921.5	\$ 6,914.2	-0.1%
Accrued Revenue-Net*					-0.1	8.6	
Tax Refunds **	-65.0	-36.9	-43.2%	-49.7%	-804.1	-821.0	2.1%
School Infrast. Refunds **	-28.8	-68.4	137.5%	3.8%	-388.8	-401.9	3.4%
TOTAL NET RECEIPTS	\$ 1,024.2	\$ 982.7	-4.1%	-2.8%	\$ 5,728.5	\$ 5,699.9	-0.5%

* FY 2009 "Accrued Revenue - Net" is currently estimated.

** For FY 2009 and FY 2010 Year-to-Date, refunds are listed on a cash basis. For FY 2009 Actual and FY 2010 Estimate, refunds are listed on a fiscal year basis.